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ABSTRACT

Guidelines to prevent fraud and abuse in the government's student aid programs are presented for schools, lenders, and guarantee agencies. Student aid fraud is defined as intentional wrongful obtaining of student financial assistance (SFA) benefits through deceptive means. It is noted that falsification of eligibility is the most common form of SFA fraud. Seven ways that a student can qualify as eligible for the U.S. Department of Education's SFA program funds are identified. Methods that have been used to obtain funds falsely include false claims of independent student status; false claims of citizenship; use of false identities (i.e., false names and/or Social Security numbers); and forgery of official signatures or certifications. A checklist to help spot potential fraud in the SFA application process includes indicators, examples, and the potential significance of the indicators. An example of a case where a school official helped uncover an elaborate scheme to bilk the government out of more than $40,000 in student aid funds is cited. Four additional steps that can help minimize fraud and abuse of student aid funds are are also suggested. (SW)

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SPECIAL FRAUD ALERT

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for Schools, Lenders, and Guarantee Agencies

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Office of Educational Research and Improvement
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The vast majority of student aid applicants are responsible individuals who complete their application forms honestly and accurately to the best of their ability. Student aid fraud is nonetheless a very real problem, and one of increasing importance to the education community; for every dollar in student aid fraudulently obtained is a dollar denied to those for whom it is intended. It is thus in the interest of all of us—students, schools, lenders, guarantee agencies and the Department of Education—to prevent misuse of student aid, and to help ensure that U.S. taxpayer dollars—OUR dollars—go to assist those who are legally entitled to them, and who will use the money to further their education.

WHAT IS STUDENT AID FRAUD? Student aid fraud is **the intentional wrongful obtaining of student financial assistance (SFA) benefits** through deceptive means.

CAN YOU BE MORE SPECIFIC? Let's take eligibility. The Department of Education's SFA program funds are available only to eligible students as defined by law or regulation. In general, to qualify as eligible, a student must:

- be enrolled at least half-time in an eligible program of study;
- carry a sufficient and appropriate academic workload and be making satisfactory progress as defined by the institution;
- be a U.S. citizen or a non-citizen who has been lawfully admitted for permanent residence;
- demonstrate financial need (except for PLUS loans) as defined by applicable program regulations;
- sign a statement of educational purpose;
- have registered with the Selective Service if required to do so; and
- not be in default on a Federal student loan or owe a refund on a Federal grant at any institution of higher education.

Falsification of eligibility is the most common form of SFA fraud. The Department's Office of Inspector General (OIG) has investigated a number of cases involving individuals who falsified either eligibility or other items on student aid applications (and/or related documents) in order to obtain financial assistance to which they would otherwise not be entitled. Some of the methods used by these individuals include:

- false claims of independent student status;
- false claims of citizenship;
- use of false identities (i.e., false names and/or Social Security numbers); and
- forgery of official signatures or certifications.

CAN YOU GIVE ME AN EXAMPLE? Here's one case where a school official's alertness and quick action helped uncover an elaborate scheme to bilk the government out of more than $40,000 in student aid funds:

- The suspicions of a college financial aid specialist who noted similar handwriting on five applications led to the arrest and conviction of an ineligible alien who used forged identification cards to apply for over $42,000 in student financial assistance. The alien, a cab driver who admitted using 15 different aliases to apply for and receive 30 Pell Grants and Guaranteed Student Loans, was apprehended while attempting to claim a check at the bursar's office. He pleaded guilty to charges of theft, was sentenced to four years in prison and was ordered to repay $27,749 in fraudulently obtained funds—the total amount he actually received before his arrest—to the Department of Education.

WHAT CAN I DO? The following checklist has been developed to assist you in spotting potential fraud in the SFA application process. While in the vast majority of cases, the appearance of any one of these factors can be attributed to simple error or otherwise reasonably explained, anyone handling SFA applications should be aware of them, and should alert the proper authorities if patterns are discerned or serious questions arise.

INDICATORS	EXAMPLES	POTENTIAL SIGNIFICANCE
✓ Obvious or apparent forgery.	Inconsistency/irregularity of official signatures, certifications, or authorizations.	May signify attempt to avoid detection of ineligibility.
✓ Noticeable erasures or corrections on application or check, particularly in items that should be well known to applicant.	Name, Social Security number, address.	May denote falsification of entry.
✓ Identical entries of ostensibly unique items on several applications.	Addresses, references, telephone numbers, handwriting.	May signal attempt to obtain multiple grants or loans under different (false) identities.
✓ Obviously incorrect information.	Nonexistent street addresses.	May signify attempt to fraudulently obtain multiple grants or loans by concealing information that would betray common source of applications.
✓ Non-residential or temporary addresses.	Post-office box addresses, "in care of" addresses.	
✓ Discrepancies between application information and identification documents.	Driver's license, student ID card, birth certificate.	May denote intentional falsification of information that would reveal applicant ineligibility.
✓ Request by applicant to hand-carry application to financial institutions.	Convenience frequently cited.	May denote intention to tamper with application form or other documents.
✓ Undue delay in applicant's submission of documentation.	Application forms, identification documents, financial information.	May signify need for time to falsify information.
✓ Request by applicant to "rush" application process.	Financial hardship frequently cited.	May signal intention to abscond quickly with funds and elude pursuit.

How you can help check fraud & abuse in the government's student aid programs

Office of Inspector General
and
Office of Postsecondary Education

Here are some additional steps you can take to help minimize fraud and abuse of student aid funds.

- Examine all checks to verify proper endorsement.
- Record on back of checks the type and identification numbers of documents used for check-cashing purposes.
- Photograph persons cashing loan checks.
- As now required by law, send loan fund checks to the school, not to the borrower, and, if for an amount of $1,000 or more and for a period of enrollment exceeding one semester, in multiple disbursements.

And remember: Any instances of suspected fraud should be referred to the appropriate State or local agency with investigative jurisdiction or to the Department of Education, Office of Inspector General. The OIG's toll-free Hotline number is **1-800-MIS-USED.**

Help us to ensure the integrity of student aid.

HELP PREVENT STUDENT AID FRAUD!